

JUNE 2016

www.cloverfonterra.com

#6

Food for thought:

“Pressure can burst a pipe;
but pressure also makes
diamonds.”

To our customers with
their financial year-end in
June; we hope you had a
positive ending to the
year!

MARKET REPORT:

Supply:

EU milk production was strong leading up to end March 2016, with production up by a total of 4% for the 12 months. Milk production has weakened since then, as their peak production period has ended. The EU Commission forecasts that milk production will only increase by 1.4% for the calendar year 2016.

US milk production for the month of April 2016 as well as YTD has increased by 1%. The United States Department of Agriculture is forecasting a 2% increase in milk production for the calendar year 2016. However varying weather conditions are impacting crop planting which could reduce feed availability for herds.

NZ's milk production for the 12 months to April 2016 has decreased 1% compared to the same period the previous year. Milk production is at a low now due to the seasonal decline of milk availability during the winter months.

Australia milk production levels are similar to New Zealand, being 1% down by end April 2016 compared to the same period the previous year. The decrease was caused by dry conditions across many dairying regions as well as the seasonal decline of milk.

Local: The effect of the drought earlier this year as well as the continued high feed prices has led to some cow culling which contributed to the decline of 8.3% in milk

the same month last year. The forecast for local milk growth is limited for the new season due to the cow culling and current weather conditions.

Demand:

China's demand is continuing to increase and is now 18% higher for the 12 months to April 2016. The rest of Asia is also showing positive growth at 7% import growth for the 12 months to February. Composite leading indicators are pointing toward stable growth momentum in China.

Russia's ban on EU product is still in place, and unlikely to change. A trade protocol has been put in place with India for the import of cheese. Positive growth momentum has been forecasted for Russia, however this is from a low base as demand has dropped when the ban has been implemented in 2014.

MEA demand continues to be low and is down 2% for the 12 months to February 2016. The outlook for emerging markets is still slow as oil prices are still under pressure.

Overall:

Demand is in a recovery phase and is led by China. Even though supply is slowing in the EU, there are still high inventories of SMP in intervention.

Milk production is low currently as EU is past their peak production season and New Zealand is in their off-season, preparing for start-up due in September.

Global dairy prices slightly increased during June, on average 3.4%. It increased at the beginning of the month, but remained stable in the latter part. The global markets went through a very volatile period following the exit of Britain from the EU. The Rand has recovered by 6% to trade just under R14.80 at the end of June, with the EUR trading at around R16.36 and the GBP at around R19.85.



Disclaimer: All statements made on this newsletter are made in good faith and we believe they are accurate and reliable and made without any express or implied warranty. CFI does not give any warranty as to the accuracy, reliability or completeness of information that is contained in this website. CFI, their directors, employees and their representatives do not accept any liability for any error or omission on this newsletter or for any resulting loss or damage suffered by the recipient or any other person.



Let's get Technical: Good, better, butter!

You've guessed it, this month we're discussing Butter.

It is made from high quality pasteurised cream, which is then frozen.

The key benefits of butter is that it consistently delivers the superior flavour and mouth feel needed in many applications. It is a stable product as it has an excellent shelf life and maintains its flavour well.

Why is butter used?

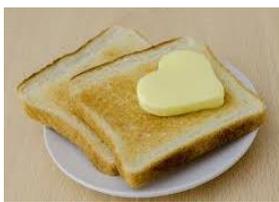
Flavour: It consistently delivers superior flavour and texture needed in many applications.

Ingredient: Suitable for a wide range of applications i.e. baked goods; spreads; processed cheese; vegetable oil blends; food products.

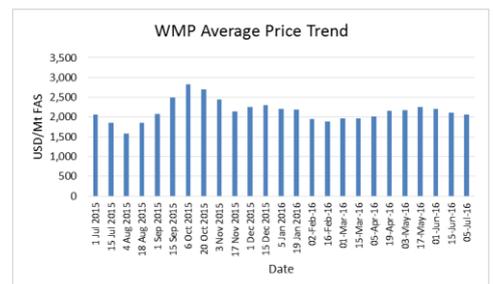
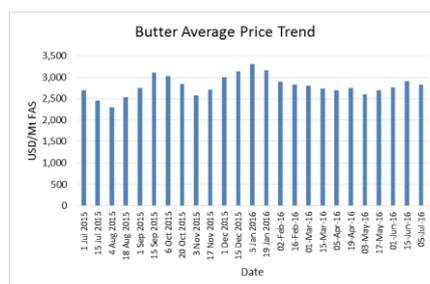
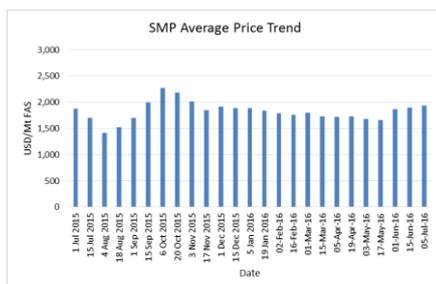
Repack: It is ideal for cutting into individual portions for catering use and for reprocessing into pats for consumer use.

Butter Product Range:

UNSALTED:	SALTED:	LACTIC:	ORGANIC:
<ul style="list-style-type: none"> Good texture & body No added ingredients Good consistency Light yellow colour Creamy taste 	<ul style="list-style-type: none"> Good texture & body Only salt is added Good consistency Light yellow colour Creamy taste Microbiologically more stable than unsalted butter 	<ul style="list-style-type: none"> Unique uniform cultured flavour Good consistency Light yellow colour Creamy lactic taste Good texture and body for reprocessing 	<ul style="list-style-type: none"> Good consistency Light yellow colour Creamy taste Good texture and body Available in salted and unsalted versions



COMMODITY PRICE MOVEMENTS



Customer Survey Feedback:

During June 2016, CFI concluded its 2nd annual customer survey. The participation and response was overwhelmingly positive and we would like to thank all our valued customers for their input and participation.

The survey measured our levels of service as far as Supply Chain, Technical Support, Key Account Management & Product Quality are concerned. We received positive feedback on all of these areas, scoring better in each category than previous year.

As in any business, there is always room for improvement.

CFI values your comments and suggestions and constantly seeks to improve our service offering.

Once again, thank you for your feedback, support and the opportunity to provide quality dairy solutions.

General Advice Warning: The Information in this newsletter is provided for information purposes only. The Information is not intended to be and does not constitute financial, tax, legal, investment, or other advice, is general in nature and not specific to you. Before making any decision or taking any action regarding your finances, you should consult a qualified Financial Adviser. CFI is not responsible for any investment decision made by you. You are responsible for your own investment research and investment decisions. CFI and its affiliates, shareholders, its respective directors, agents, consultants or employees shall not be responsible and disclaims all loss, liability or expenses of any nature whatsoever which may be attributable directly, indirectly or consequentially to the use of the information provided. This includes, without limitation, any direct, indirect, special, incidental, consequential or punitive damages, whether arising out of contract, statute, and delict or otherwise and regardless of whether we were expressly advised of the possibility of such loss or damage.

